

Message Text

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PAGE 01 PARIS 13692 01 OF 02 282223Z

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ACTION EB-07

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC NIACT IMMEDIATE 9867

INFO AMEMBASSY LONDON

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FOR WALDMANN FROM MILLER

E.O. 11652: N/A

TAGS: EAIR, UK, US

SUBJECT: CIVAIR: US/UK DISCUSSIONS

1. WITH REFERENCE ENDERS-WALDMANN TELCON MAY 28, FOLLOWING IS REPORT ON ENDERS MEETING THAT DATE WITH ROGERS OF UK BOARD OF TRADE AND IATA DIRECTOR GENERAL HAMMARSKJOLD. (LATTER WAS ACCOMPANIED BY PEFANIS' IATA ASSISTANT DIRECTOR GENERAL-TRAFFIC.)

2.DISCUSSION CENTERED LARGELY ON AFTERMATH OF MAY 23-24 MEETING OF IATA EXECUTIVE COMMITTEE, WHEN NINE-POINT COMPLIANCE PROGRAM (SEPTOL) HAD BEEN ADOPTED AND AS CONSEQUENCE DECISION HAD BEEN TAKEN TO REVIVE AND CIRCULATE FOR MAIL VOTE EARLIER PROPOSAL FOR 7.5 PERCENT COMMISSION TO TRAVEL AGENTS. NOTWITHSTANDING SUPPORT FOR COMPLIANCE PROGRAM BY PANAM PRESIDENT SEWALL WITHIN EXECUTIVE COMMITTEE, PANAM HAD AGAIN CAST NEGATIVE VOTE ON 7.5 PERCENT COMMISSION IN MAIL VOTE COMPLETED AFTERNOON MAY 28. HAMMARSKJOLD AND ROGERS THUS CLAIMED NOT UNDERSTAND REASONS FOR PANAM POSITION, SINCE IT HAD BEEN ASSUMED PANAM WOULD GO
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PAGE 02 PARIS 13692 01 OF 02 282223Z

ALONG WITH REST OF PACKAGE FOLLOWING SEWALL ACCEPTANCE

OF COMPLIANCE PROGRAM WITHIN EXECUTIVE COMMITTEE.

3. HAMMARSKJOLD POINTED OUT THAT EXECUTIVE COMMITTEE APPROVAL OF ADMINISTRATIVE MEASURES SUCH AS COMPLIANCE PROGRAM WAS AUTOMATICALLY BINDING ON ENTIRE IATA MEMBERSHIP, WHEREAS COMMISSION LEVEL WAS TRAFFIC QUESTION FOR WHICH MEMBERSHIP HAD TO BE CANVASSED. HE INSISTED THAT COMPLIANCE PROGRAM COULD NOW BE CARRIED OUT WITHOUT FURTHER DELAY; THREE ADDITIONAL AUDITORS, FOR EXAMPLE, WOULD BE ENGAGED BEFORE END JUNE. (HE NOTED THAT ADDITIONAL AUDITORS HAD BEEN SPECIFIC DEMAND OF PANAM.) OTHER MEASURES IN COMPLIANCE PROGRAM SUCH AS MULTILATERAL AGREEMENT REQUIRED GOVERNMENTAL SUPPORT, AND IT WAS FOR THAT REASON THAT HAMMARSKJOLD WAS PROCEEDING TO ALGIERS THAT SAME EVENING IN EFFORT ENLIST ARAB SUPPORT.

4. IATA REPS STRESSED THAT CRUX OF PROBLEM, AND CENTRAL TO PANAM'S CONCERNS, WAS NOT SO MUCH COMMISSIONS TO RETAIL AGENTS AS IT WAS ROLE OF TOUR OPERATORS. LATTER BOOKED BLOCKS OF THOUSANDS OF SEATS AND WERE ABLE TO PIT ONE CARRIER AGAINST ANOTHER, AND IT WAS COMMON PRACTICE TO REBATE TO THEM \$30-50 PER PASSENGER UNDER PRETEXT OF PAYMENT FOR TOUR LITERATURE AS PERMITTED BY IATA RESOLUTION 8L03. PANAM ARGUMENT WAS THAT QUESTION OF COMMISSION TO TRAVEL AGENTS COULD NOT BE RESOLVED SATISFACTORILY UNTIL PROBLEM OF REBATES TO TOUR OPERATORS WAS SETTLED, WHICH IATA REPS CONCEDED WAS LONGER TERM PROBLEM. HOWEVER, IN ABSENCE ANY INTERIM SETTLEMENT IT WOULD BE IMPOSSIBLE IN THEIR VIEW AT LATER DATE TO BRING COMMISSIONS BACK TO REASONABLE LEVEL, AND THEY ALSO OPINED THAT CONTINUED ABSENCE OF AGREEMENT ON COMMISSION LEVELS COULD JEOPARDIZE IATA ABILITY AGREE ON A FARES PACKAGE LATER THIS YEAR. MOREOVER, CARRIERS AGREED THAT ON INDUSTRYWIDE BASIS HIGHER COMMISSIONS WOULD NOT PRODUCE MORE TRAFFIC AND HENCE MORE REVENUE, SO RESULT WOULD SIMPLY BE LARGER PROFIT FOR INTERMEDIARIES AT CARRIERS' EXPENSE.

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PAGE 03 PARIS 13692 01 OF 02 282223Z

5. ENDERS RECALLED THAT BOTH US AND UK WERE ON RECORD AS FAVORING ADEQUATE IATA REGIME BASED ON UNIFORM COMMISSION ARRANGEMENTS AND PROPER ENFORCEMENT MEASURES. IF THE TWO GOVERNMENTS THOUGHT THAT COMPLIANCE PROGRAM ON WHICH IATA HAD AGREED WAS A GOOD ONE, IT WAS INCUMBENT ON THEM TO USE THEIR INFLUENCE TO GET THEIR CARRIERS TO AGREE ON AN INTERIM SETTLEMENT TO THE COMMISSION PROBLEM. WHAT WAS NECESSARY THEREFORE WAS TO

ASCERTAIN WHETHER PANAM (AND USG) CONSIDERED IATA COMPLIANCE PROGRAM PROVIDED BASIS FOR SATISFACTORY UNDERTAKING, WHEREUPON INTERIM SETTLEMENT SHOULD BE ENTERED INTO, THOUGH SOME PROVISION SHOULD BE MADE FOR

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PAGE 01 PARIS 13692 02 OF 02 282221Z

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COPING WITH PROBLEM OF TOUR OPERATORS.

5. HAMMARSKJOLD INDICATED IATA WOULD BE PREPARED EXTEND MAY 28 DEADLINE FOR MAIL VOTE ON 7.5 PERCENT COMMISSION. ROGERS ASKED IF PANAM COULD WITHDRAW NEGATIVE VOTE PENDING RENEWED EFFORT ARRIVE AT SETTLEMENT WITHIN IATA IF MAIL VOTE DEADLINE WERE POSTPONED. ENDERS UNDERTOOK RAISE MATTER IMMEDIATELY WITH DEPT. ARD THROUGH DEPT.'S INTERMEDIARY WITH PANAM AND TO REPORT REACTION BACK SOONEST.

6. ACTION REQUESTED: ENDERS DESIRES FOR MAY 29 (WHETHER BY CABLE OR PHONE CALL TO MILLER) ANSWERS ON FOLLOWING POINTS ON WHICH HE CAN DRAW FOR RESPONSE CONVEYED ROGERS AND HAMMARSKJOLD PRIOR HIS OWN DEPARTURE FROM PARIS:

A) WHAT IS PANAM POSITION ON COMPLIANCE PROGRAM?
ARE ALL POINTS ACCEPTABLE? IF NOT, WHAT IS REQUIRED
MAKE THEM ACCEPTABLE?

B) IF COMPLIANCE PROGRAM ACCEPTABLE TO PANAM,
THEN WHY DID PANAM VOTE AGAINST 7.5 PERCENT IN MAIL VO
VOTE? WHY DID PANAM NOT GIVE REASONS FOR ITS VOTE?
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PAGE 02 PARIS 13692 02 OF 02 282221Z

C) IF COMPLIANCE PROGRAM ACCEPTABLE TO PANAM,
THEN ENDERS BELIEVES PANAM SHOULD SWITCH ITS NEGATIVE
VOTE TO AN AFFIRMATIVE VOTE.

D) IF PROGRAM IS NOT ACCEPTABLE TO PANAM (AND/OR
DEPT. ALSO SEES PROBLEMS), THEN MORE TIME IS REQUIRED
TO RESOLVE DIFFICULTIES STANDING IN WAY OF AN
INTERIM SETTLEMENT, THUS REQUIRING PANAM TO WITHDRAW
ITS NEGATIVE VOTE AND IATA TO EXTEND MAIL VOTE
DEADLINE IN MEANTIME. WOULD PANAM BE AGREEABLE THIS
COURSE?
RUSH

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